



1997 SMALL BUSINESS PROFILE

SMALL BUSINESS: BACKBONE OF THE UNITED STATES ECONOMY

The importance of small business to the United States is evident in the 1997 Small Business Profile. The findings reported in this year's profile, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, clearly indicate the crucial role small businesses play in the U.S. economy. Not only do small businesses play a vital role as job creators, but their diversity and composition provide the work force with endless opportunities.

Number of Businesses - In 1996, the United States had 6,190,907 businesses with employees; 99.7 percent of the businesses were small businesses (percent based on 1994 data for independent businesses with fewer than 500 workers). In addition to the number of employer businesses, the U.S. also had 8,970,000 self-employed persons in 1996, for an estimated total of 15,160,907 businesses.

Small Business Income - The income of sole proprietors and partners rose 5.0 percent to \$471.9 billion in 1996, while wage-and-salary income rose 5.8 percent. Total personal income rose 5.8 percent to \$4.1 trillion. The U.S. also exported \$622.8 billion of goods and services in 1996.

Minority Businesses - According to The National Foundation for Women Business Owners, as of 1996, there were 7,951,000 women-owned businesses in the U.S., including part-time firms, employing 18,543,000 people and generating \$2.3 trillion in sales. Between 1992-1996, the number of women-owned businesses, increased 77.6 percent.

According to the latest Bureau of the Census data, the number of Black-owned firms, including part-time firms, increased 46.4 percent from 1987 to 1992, totaling 620,912 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 82.7 percent during the same time period with 771,708 firms in 1992. There has also been a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 376,711 in 1987, to 606,438 in 1992, representing a 61.0 percent increase.

Business Turnover - The number of new firms increased 2.8 percent, while new business incorporations increased 2.9 percent in 1996. Financial difficulties leading to business bankruptcies increased by 5.3 percent and business failures increased by 1.0 percent during 1996.

Finance - An SBA Office of Advocacy study found that the number of banks in the U.S. decreased from 10,706 in 1994 to 9,670 in 1996.

Job Growth - Small businesses created all of the 11,827,000 net new jobs from 1992 to 1996. Very small businesses (less than 20 employees) represented 68.4 percent of this growth with 8,084,000 new jobs. These numbers clearly reflect the importance of small businesses as job creators.

Industries - The composition of small business in the U.S. is very diverse. The Eating & Drinking Places industry is the largest small business employer, followed by Health Services. The fastest growing industry for small business is Nondepository Credit Institutions (represents industries that were at least 0.25% of the 1994 total).

The following three tables provide further information about the composition of the small business sector. The information is for 1994, the latest year available.

Table 1, Top Five Industries in the United States by Employment, 1994

Industry	SIC	Employment Total	Percent of Total	Percent Small
Total - All Industries	--	96,721,594	100.0	52.7
Health Services	8000	10,743,655	11.1	40.8
Eating & Drinking Places	5800	7,019,385	7.3	65.9
Business Services	7300	6,364,997	6.6	50.1
Wholesale Trade - Durable Goods	5000	3,701,376	3.8	71.4
Food Stores	5400	3,259,218	3.4	37.9

Table 2, Top Five Small Business Industries in United States by Employment, 1994

Industry	SIC	Employment in firms with 0 - 499 employees	Percent of Total	Percent Small
Total - All Industries	--	51,007,688	100.0	52.7
Eating & Drinking Places	5800	4,625,040	7.3	65.9
Health Services	8000	4,385,299	11.1	40.8
Business Services	7300	3,191,279	6.6	50.1
Special Trade Contractors	1700	2,682,009	3.0	93.2
Wholesale Trade - Durable Goods	5000	2,643,265	3.8	71.4

Table 3, Fastest Growing Industries for Small Business in United States, 1993 - 1994

Industry	1993	1994	Amount Change	Percent Change
Total - All Industries	50,316,063	51,007,688	691,625	1.4
Nondepository Credit Institutions	165,111	195,655	30,544	18.5
Security & Commodity Brokers, Dealers, Exchanges, & Services	137,675	147,521	9,846	7.2
Special Trade Contractors	2,559,404	2,682,009	122,605	4.8
Automotive Repair, Services, & Parking	755,279	791,276	35,997	4.8
Social Services	1,712,372	1,782,961	70,589	4.1

Sources: Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal Reserve Board, Dun & Bradstreet Corporation, National Foundation of Women Business Owners, and Cognetics Inc.